

MAX ROSE
11TH DISTRICT, NEW YORK
1529 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
TELEPHONE: (202) 225-3371
STATEN ISLAND OFFICE:
265 NEW DORP LANE, SECOND FLOOR
STATEN ISLAND, NY 10306
TELEPHONE: (718) 667-3313
BROOKLYN OFFICE:
8203 3RD AVENUE
BROOKLYN, NY 11209

Congress of the United States
House of Representatives
Washington, DC 20515

COMMITTEE ON HOMELAND SECURITY
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INTELLIGENCE AND COUNTERTERRORISM
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HEALTH
OVERSIGHT AND INVESTIGATIONS

May 7, 2020

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd Street, S.W.
Washington, D.C. 20416

Administrator Carranza,

As businesses on Staten Island, in South Brooklyn, and across the nation struggle to survive over the coming weeks and months in light of the COVID-19 pandemic and shelter-in-place orders, I urge your departments to consider the added costs for businesses in both high-cost states, and highly affected states, during rulemaking and implementation of both the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) and Advance program.

While the Small Business Administration (SBA) interim final rule allowed for full PPP loan forgiveness if 75% of the loan amount is spent on payroll costs, with 25% spent on qualified non-payroll costs, this ratio disproportionately impacts New York City businesses which operate in a rental market exponentially more expensive than other cities in the United States--which this interim final rule ignored. This was not in line with the spirit, nor within the statute, of the enacted *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. For the hardest-hit businesses with over \$40,000 in back rent, in a city where location operating expenses can be double what other American businesses spend, PPP has not provided the relief promised. These Staten Island and Brooklyn businesses are at the nexus of being located in the most COVID-affected area in the country, and being in the one of the most expensive cities to operate in the world. Gross sales are drastically down, but their commercial leases remain, in addition to inventory, separate insurance costs, and other expenses that are unqualified under PPP. In addition, percentage deals on commercial leases like those found in San Francisco and Los Angeles are also rarely found in New York, and our restaurants, shops, and other businesses are suffering. I urge you to eliminate the 25% cap on non-payroll costs for PPP forgiveness, because businesses cannot keep people on payroll if they can't afford operating expenses.

My office is also hearing reports that the SBA EIDL Advance program is disbursing only \$1,000 per employee of the up-to \$10,000 forgiven advance to businesses--while SBA has the authority to disburse these funds, businesses in my district feel cheated, particularly in light of the lack of updates regarding their full loan application. This is compounded by recent news of the implemented loan limit of \$150,000, after businesses were initially told the limit was \$2 million. As I have written to you in recent letters, I again urge you to provide these updates quickly, and consider that businesses in New York City require a separate metric to factor in the costs of operating. Additionally, I urge SBA to open EIDL applications to businesses outside of the agriculture space, bearing in mind that 501(c)6 organizations are unable to access PPP loans--many of which are Destination Marketing Organizations (DMOs), and key to reopening our economy. I understand the volume of requests the SBA is currently handling, and I am ready to continue working with my colleagues in the House of Representatives to replenish these relief funds as needed. But in this midst of over 170,000 positive cases of coronavirus in New York City, and our local government struggling to keep essential workers from being furloughed, Staten Island and South Brooklyn businesses need more to be done, plain and simple.

We are all in unprecedented territory here. But after a month of implementation, we have learned what works, and what does not work. The 75/25 ratio does not work, just like multi-million dollar public companies being approved for these small business funds does not work. And the EIDL program must be executed in a truly equitable fashion, that understands the tragic disparities that small businesses in my district are facing. I look forward to working with you and the Administration to move the needle for Staten Island and South Brooklyn businesses, so we can truly begin to revive our economy.

Sincerely,

A handwritten signature in black ink, appearing to read 'Max', followed by a long, horizontal, slightly wavy line.

Max Rose
Member of Congress